AMERICAN ECO CORPORATION

1997 ANNUAL REPORT

INSIDE
Table of Contents

About the Cover

Client: Sable Offshore Energy, Inc. Halifax, Nova Scotia

Project: Fabrication & erection of steel "wellhead jackets and piles" by American Eco subsidiary, MM Industra.

For complete project profile, see page 12.

All photos, except portraits, by Les Wollam
Portrait photos by Mike Magee

American Eco Corporation

ABOUT THE COMPANY

American Eco Corporation serves industry. Its clients are involved in the oil refining, petrochemical processing, pulp and paper, power generation, offshore exploration and heavy manufacturing industries. It is a demanding business segment requiring specialized skills and an extraordinary commitment to safety.

The Company distinguishes itself in both areas.

From its 20 regional offices located throughout North America, the Company delivers a full complement of construction, engineering, contract maintenance, precision manufacturing and specialty fabrication services, separately or bundled as a turnkey package, to industrial clients around the world.

The Company, with 1997 revenues in excess of $220 million, has achieved five consecutive years of record revenues and earnings.

1998 promises to be yet another milestone year.

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American Eco Corporation

BOARD OF DIRECTORS

Board of Directors (from left to right):
Barry Cracower, Francis J. Sorg Jr., Hon. Donald R. Getty, William A. Dimma, Michael E. McGinnis, John C. Pennie.

Michael E. McGinnis
Chairman, President and C.E.O.
American Eco Corporation
Houston, Texas

John C. Pennie*
Vice Chairman of the Board
American Eco Corporation
President, Windrush Corporation
Toronto, Ontario, Canada

Barry Cracower*
President, Pharmx Rexall Drug Stores, Ltd.
Concord, Ontario, Canada

William A. Dimma
Chairman, Swiss Reinsurance Company Canada
Toronto, Ontario, Canada

Hon. Donald R. Getty
President, Sunnybank Investments, Ltd.
Edmonton, Alberta, Canada

Francis J. Sorg, Jr. *
Former Chairman, Separation and Recovery Systems, Inc.
Irvine, California

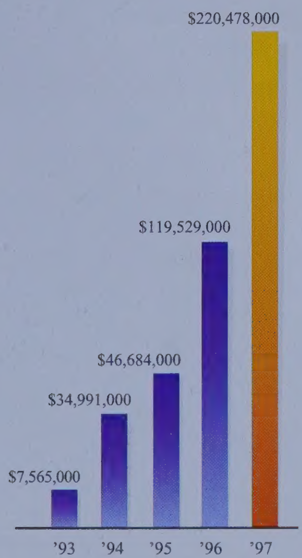
** Member, Audit Committee*

American Eco Corporation

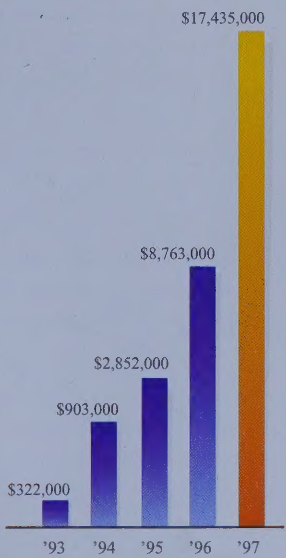
COMPARATIVE HIGHLIGHTS

Fiscal Years Ended November 30
(United States Dollars)

	1997	1996	1995	1994	1993
Income Statement					
Revenue	$ 220,478,000	$ 119,529,000	$ 46,684,000	$ 34,991,000	$ 7,565,000
Net Income	17,435,000	8,763,000	2,852,000	903,000	322,000
Basic Earnings Per Share	1.08	0.81	0.40	0.15	0.07
Weighted Average Common Shares Outstanding	16,218,034	10,846,516	7,217,000	6,191,000	4,680,000
Balance Sheet					
Working Capital	$ 59,907,000	$ 3,280,000	$ 6,639,000	$ 6,441,000	$ 3,639,000
Total Assets	221,786,000	104,484,000	31,061,000	22,947,000	15,007,000
Long-Term Liabilities	55,952,000	8,093,000	2,271,000	5,298,000	9,085,000
Shareholders' Equity	107,099,000	55,043,000	18,736,000	11,299,000	3,288,000



Revenue



Net Income

Basic Earnings Per Share

Report to Shareholders

1997 HAS BEEN ANOTHER YEAR OF STRONG EXPANSION FOR AMERICAN ECO CORPORATION.

Revenues climbed to $220.5 million compared to $119.5 million the year before, an increase of 84%. Net income reached $17.4 million, almost a 100% increase over last year's $8.7 million. Basic earnings per share rose 33% to $1.08, compared to $0.81 in 1996. The Company is entering 1998 with a backlog of $245,000,000.

Your company is stronger today for several reasons:

A focused mission

Since its inception, the Company's foundation has been built on providing specialized construction, maintenance and fabrication services to industrial customers. On a smaller scale, we also provided a complement of environmental services. In 1997 we divested ourselves of two environmental units in order to concentrate on providing industrial construction, specialty fabrication and engineering services to our core client base. Our acquisition of Chempower, completed in March 1997, reflects the Company's strategy of acquiring companies that significantly expand our geographic presence, customer base and service capabilities. In particular, this acquisition added to the Company's already substantial specialty manufacturing and fabrication capabilities, a segment typically yielding larger profit margins.

Executive Management Team (from left to right):
David L. Norris, senior vice president and chief financial officer;
Bruce D. Tobecksen, vice president and treasurer;
Michael E. McGinnis, chairman, president and C.E.O.

Because of these larger margins, specialty manufacturing and fabrication services represent a business segment that will continue to grow in importance to your company.

Diversification across services, clients and territory

Our engineering, manufacturing and specialty fabrication capabilities will be increasing contributors to the Company's bottom line. Through acquisition and internal expansion, we continue to strengthen our presence in the hydrocarbon processing, pulp and paper, power generation and heavy manufacturing industries. With 20 regional offices we are better positioned than ever to provide services throughout North America and the world. The result is that our revenue streams are becoming more diversified across clients, services and territory. This diversification, which includes a decreasing emphasis on environmental services, has helped us to accomplish three objectives: 1) to reduce dependence on any specific group of clients, services or geographic regions; 2) to increase

opportunities for cross-collaboration among the Company's various operating units; and 3) to gain increased access to contract opportunities requiring more specialized skills and technical capabilities.

Collaboration between operating companies

We continue to believe that a significant part of the Company's growth potential lies in the successful collaboration and cross-marketing of our operating companies. Our efforts to integrate the units acquired during the last two years are beginning to reap significant dividends. Much of this success is the result of efforts by the executive management team and the heads of each operating subsidiary, to increase the level of communication and consultation between operating companies. An example of this cross-company collaboration includes Separation and Recovery Systems' (SRS) out-sourcing the refurbishing and fabrication of SRS' SAREX Process units to sister company MM Industra. Another is Industra Service Corporation's and MM Industra's partnership to combine fabrication and construction capabilities to construct and install Western Canada's largest ship loading facility, based in Vancouver, British Columbia. We are also seeing benefits from the implementation of our "best practices" program that identifies within each operating company the most successful project management programs, safety practices and marketing strategies so that they may be incorporated company wide.

Management

Our board of directors was bolstered significantly in 1997 with the addition of William A. Dimma, currently chairman, Swiss Reinsurance Company Canada, the Hon. Donald R. Getty, former Premier of the Province of Alberta and Francis J. Sorg, Jr., former chairman of Separation and Recovery Systems, Inc. These individuals bring a wealth of experience and industry insight to our management team. Also, our executive management team was strengthened with the addition of David L. Norris as senior vice president and chief financial officer, and Bruce D. Tobecksen as vice president and treasurer. Their considerable experience, gained in a public company environment, will serve American Eco well as it progresses toward becoming a billion-dollar industrial services company.

Corporate Management Team, (from left to right): Lisa Kell, director of human resources; Lanell Matlock, assistant vice president and controller N.A.; Cindy Jackson, director of investor relations; Matthew Hill, vice president, southwest region N.A.

Outlook

1998 promises to be another milestone year for your company. Our foundation of services, management and financing has never been stronger and we will capitalize on these strengths as we move forward. We expect internal growth to remain strong as industry demand for our services continues to build, and as our expanded capabilities and geographical presence enhance our ability to compete for contract opportunities. Acquisitions will continue to fuel our growth and we are currently evaluating a number of opportunities that may provide a strategic fit.

Having achieved certain revenue and earnings objectives, we are beginning to see increased attention from the financial and investment communities. We welcome this interest and believe that our shareholders will be rewarded as the result of this increased coverage.

We want to recognize our fellow employees for their loyalty and dedication during this time of integration and change. One of their achievements that we take most pride in is their commitment to safety. In our identified industrial markets, where a company's safety record can absolutely be the difference in winning or losing a contract opportunity, the workforce of American Eco continues to distinguish itself. This commitment is exemplified at Hunstman Chemical where the Company has worked 1.4 million man hours without a single work day being lost due to accident.

Thank you for your continued confidence and support.

On behalf of the Board,

Michael E. McGinnis
Chairman, President and C.E.O.

John C. Pennie
Vice Chairman

American Eco Corporation

CORPORATE DIRECTORY

Executive Management

Michael E. McGinnis
Chairman, President and Chief Executive Officer

David L. Norris
Senior Vice President and Chief Financial Officer

Bruce D. Tobecksen
Vice President and Treasurer

Corporate Management

Larry Cundy
Vice President, Northwest Region N.A.

Joseph DeFranco
Vice President, Western Region N.A.

Besim Halef
Vice President, Northeast Region N.A.

Matthew Hill
Vice President, Southwest Region N.A.

Toomas Kukk
Vice President, Midwest Region N.A.

Lanell Matlock
Assistant Vice President and Controller N.A.

Advisors

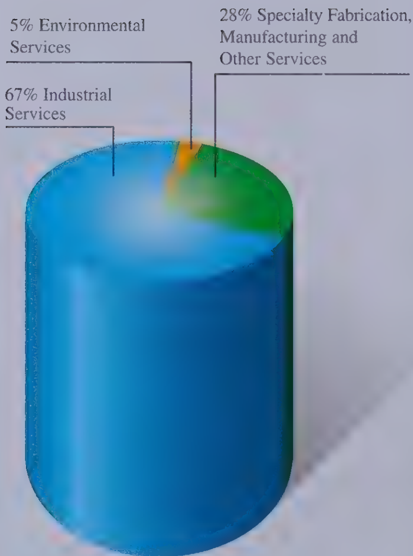
Independent Auditors
Coopers & Lybrand, L.L.P.
Certified Public Accountants
Miami, Florida

Legal Counsel
Cassels, Brock & Blackwell
Barristers & Solicitors
Toronto, Ontario, Canada

Reid & Priest L.L.P.
New York, New York

OVERVIEW OF OPERATIONS

The ability to deliver turnkey construction, maintenance, fabrication, and engineering services has established American Eco Corporation as the standard for distinguished service in the industrial arena. Supported by an impeccable record of safety and a company wide commitment to Total Quality Management, the Company excels in all aspects of capital project execution.



Services (Net Profits)

(above) American Eco's Industra Service Corporation was awarded contracts by BC Hydro to modernize this hydro power plant located in Vancouver, British Columbia, and perform structural modifications enabling the installation of improved pollution abatement equipment. The Company was also awarded a separate contract for the demolition and asbestos abatement of the facility.

American Eco Corporation *can be found on-site at many of the world's largest industrial facilities. The Company delivers a full complement of construction, maintenance, fabrication and engineering services to refining, petrochemical, utility, pulp and paper and manufacturing clients worldwide.*

Construction
Contract Maintenance
Turnaround Management

American Eco is an established leader in the planning, construction, retrofit and maintenance of industrial facilities and unit operations. The Company has a proven track record of managing time critical turnarounds efficiently and safely. Supported by a full-service engineering team, American Eco offers a total solution approach to keeping industrial facilities operating at optimum efficiency.

Engineering
Design-Build
Project Management

With an engineering staff comprised of over 100 engineers, designers and support personnel, American Eco draws upon a level of technical depth and expertise critical to the management of projects requiring a turnkey design/build approach. The Company's ability to integrate and overlap activities, from strategic assessments and options analysis, to process design, engineering, procurement and construction management, ensures a successful and consistent approach throughout project execution.

Specialty Fabrication
Precision Manufacturing

American Eco's heavy fabrication and manufacturing capabilities are among the most extensive in North America and are a natural complement to the Company's comprehensive engineering and construction expertise. The Company is certified to perform code work on pressure piping, boilers, furnaces, tubes, tanks and pressure vessels by the American Society of Mechanical Engineers (ASME). The Company's services include heavy fabrication, precision manufacturing of power control stations, metal-clad switchgear and bus duct, as well as state-of-the-art pipe fabrication and tube bending for a multitude of industrial applications. The Company fabricates custom steel and exotic alloy components used by clients throughout American Eco's business segments.

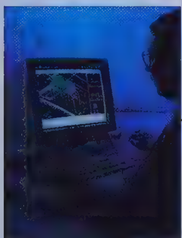
The Company is a worldwide leader in the fabrication of specialty components, structures and pressure vessels. This completed super-heater element is one example of those installed in power generation units for pulp & paper and other processing plants.

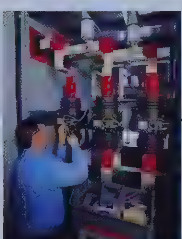
This completely automated guided laser is capable of precision cutting of stainless and non-ferrous metals up to 1/4" thick.

Waste Minimization
Resource Recovery
Environmental Services

American Eco manufactures and distributes a proprietary line of oil filtration and separation systems that provide effective waste minimization and oil recovery systems to industrial clients. The Company has approximately 30,000 such systems currently installed in one-half of the world's oil and petrochemical tankers as well as in major oil refineries throughout the world.

This four-head custom-designed submerged arc welder, gives it high production capabilities on large sections of tubing, and on the construction of pressure vessels and stacks.


INDEX
Project Profiles

PROJECT

JV with Brown & Root Energy Services involving fabrication and erection of critical components of offshore oil and gas platform

CLIENT

Sable Offshore Energy, Inc. (a consortium led by Mobil)

American Eco's MM Industra, in partnership with Brown & Root Energy Services, was awarded a contract for the heavy fabrication and erection of two steel "wellhead jackets and piles" – the giant legs that form the base of offshore oil and gas platforms – for Mobil Oil and its partners in emerging oil and gas fields 200 miles off the Nova Scotia mainland. The contract involved fabrication of a 1,300-ton, six-leg unit, as well as a 700-ton, four-leg unit.

This $12 million contract is the first in a series of multi-million dollar fabrication contracts for the $3 billion Sable Offshore Energy Project, possibly one of the major natural gas discoveries in Eastern Canada ever. The Sable discovery fields are estimated to contain at least 25 years of solid future production. It is also adjacent to the Terra Nova oil fields, estimated to contain almost 500 million barrels of recoverable crude oil. The Sable and Terra Nova developments are expected to mark the beginning of a robust oil and gas industry in Atlantic Canada.

"This $12 million contract is the first in a series of multi-million dollar fabrication contracts for the $3 billion Sable Offshore Energy Project."

Working round-the-clock, and during peak winter months, MM Industra demonstrated that it is capable of performing complex, fast-track fabrication and erection work; even under the harshest possible conditions. MM Industra's performance on this high profile project, and its strategic location is bringing it global recognition. MM Industra's fabrication facilities occupy 11 acres on Halifax-Dartmouth Harbour, an ice-free, deep-water port ideal for year-round fabrication and shipment of large-scale projects worldwide. MM Industra delivered the first contract on schedule, and has been awarded three additional contracts for Sable fields modules.

"This is a milestone in the development of American Eco and confirms that MM Industra, with strong partnerships, will play a major role in the offshore oil and gas development that is so important to both Nova Scotia and Eastern Canada," said Besim Halef of MM Industra Ltd. ■

PROJECT

Engineering and construction management of pulp and paper mill modernization

CLIENT

Potlach Corporation, Lewiston, Idaho

This project, completed by American Eco's Industra Service Corporation, involved the modernization of a pulp and paper mill for Potlach Corporation in Lewiston, Idaho. The mill produces fully bleached pulp, container board, and tissue for distribution in the United States and Japan. The $150 million project included reinstrumenting existing batch digesters and two lime kilns, replacing the long fiber line with state-of-the-art technology, installing integrated chlorine dioxide production facilities and an oxygen generation plant, and replacement of several pulp washers.

Engineering and management services included process design development, detail design, procurement, detail engineering services, overall program management, and construction contract support. "Our ability to understand the operational goals and necessary project skills made certain the result was what the client needed," said Mike Roberts of Industra Service Corporation.

"Since the mill would be shutdown only once, at the beginning of the project, all equipment modifications had to be anticipated"

Since the mill would be shutdown only once, at the beginning of the project, all equipment modifications had to be anticipated and prepared for during this single "window of opportunity". In the end, the project was completed with no additional downtime required. Safety considerations were of the utmost importance since production continued during the project. There were no lost-time accidents during the project.

Industra Service Corporation delivered its services on time and on budget. This performance resulted in Industra Service Corporation being awarded additional contracts to provide engineering and construction management services involving the installation of two new major pieces of pulp-processing equipment at the mill. ■

PROJECT

Conversion of unit operations from pneumatic to electronic control

CLIENT

Star Enterprises (Texaco), Port Arthur, Texas

American Eco's Turner Group, located in Port Arthur, Texas, has been a leader in providing industrial construction, contract maintenance, and fabrication services for more than 50 years. It recently completed a challenging, fast-track instrumentation and electrical conversion contract for Star Enterprises, a joint project spearheaded by Texaco.

This construction project provided an excellent demonstration of a time sensitive construction project requiring a high degree of technical expertise. This project was significant because of its size and complexity and because it involved a large-scale conversion of pneumatic controls (air) to an electronic, distributed control system. A critical factor was that the conversion had to occur simultaneously with no interruption in production. This critical procedure was accomplished with perfect coordination between the contractor and the client.

"This critical procedure was accomplished with perfect coordination between the contractor and the client."

North American refining and chemical industries are converting from aging pneumatic systems to electronic systems to minimize downtime, increase reaction time, and to reduce manpower requirements. Electronic, distributed control systems actually allow an operator in a control room to "see" the valve being opened and closed. It also enables companies to vastly improve production efficiencies. "This project was especially challenging because The Turner Group had only four months to convert the entire unit," said Robert Cockrell, Manager of the Instrumentation and Electrical Group. "It is not uncommon for projects of this magnitude to take six to eight months."

Although there was some carryover work on the contract, Star Enterprises began using the system on Feb. 18, 1997, right on schedule. Cockrell had high compliments for the quality work and safety record of the International Brotherhood of Electrical Workers. The project, involving approximately 22,000 man hours, was completed with zero lost-time due to injury. ■

PROJECT

Fabrication, erection and commissioning of 850-ton bulk material shiploader

CLIENT

Pacific Coast Terminals; Port Moody, British Columbia

This heavy fabrication project required a high degree of technical expertise and involved the collaboration of two American Eco companies - Industra Service Corporation, located in New Westminster, B.C. and MM Industra based in Dartmouth (Halifax Harbour), Nova Scotia.

The Quadrant Shiploader is the largest of its kind in Western Canada. Located in Port Moody Harbour, this 850-ton shiploader is used to transfer bulk sulfur or potash from railroad cars to cargo ships at a rate of up to 5,000 metric tons per hour. The giant shiploader features a 180-foot conveyor-fed dispenser boom capable of vertical movement ranging from 9 to 45 degrees in elevation, and can rotate 120 degrees horizontally.

"This project represents an excellent example of cross-company collaboration between American Eco subsidiaries."

The shiploader is maneuvered by an operator positioned at the tip of the boom who steers the boom and its dispenser nozzle over the ship's holding area, where the bulk material is distributed.

This project represents an excellent example of cross-company collaboration between American Eco subsidiaries. MM Industra, with heavy fabrication capabilities among the most extensive in Canada, fabricated the shiploader's "bridge" and other components, including all carrying beams, pivot and slewing structures. The massive bridge structure was built in eight separate sections and shipped via rail to Vancouver. These sections, tipping the scales at over 51,000 pounds each, were over 60-feet in length and 13-feet high.

All components were assembled by Industra Service Corporation at the shiploader site at Port Moody Harbour. Industra Service Corporation also performed extensive fabrication of major boom and shuttle components at its New Westminster fabrication facilities. Industra Service Corporation fabricated the shuttle, stacker and mast structures of the conveyor boom, and also installed over 1,000-feet of 6-foot wide conveyor belting critical to the mass transfer of the bulk sulfur, or potash. Along with the components manufactured by MM Industra, Industra Service Corporation completed the final assembly, erection, testing and commissioning of the shiploader in a very efficient 4 months, with no lost-time accidents. ■

PROJECT

Substation modernization involving the manufacture and installation of 15kV metalclad switchgear and bus duct

CLIENT

Cleveland Electric Illuminating, Cleveland, Ohio

American Eco's Controlled Power Corporation (CPC)* was awarded a $2.5 million contract to modernize Cleveland Electric Illuminating's** Lake Shore substation. Cleveland Electric Illuminating, a Cleveland based utility, contracted with CPC to engineer and manufacture a series of 15kV metalclad switchgear and associated bus duct, and to furnish service personnel to assist in the installation and field testing of the equipment. It was the largest single switchgear order placed by Cleveland Electric Illuminating in 30 years. Switchgear protects electrical circuits and distributes the flow of electricity from a power source, usually a utility, to major end-users, including manufacturers, developers, industrial, commercial and governmental entities.

"It was the largest single switchgear order placed by Cleveland Electric Illuminating in 30 years."

The new switchgear and substation enabled Cleveland Electric Illuminating to provide power to the downtown Cleveland area and to residents and businesses in the eastern part of the city. Cleveland Electric Illuminating's new substation is comprised of 14 line-ups of 15kV metal-clad switchgear, all designed and manufactured by CPC at its manufacturing facilities in Canton, OH. CPC has been a leader in manufacturing switchgear, power control centers and bus duct for over 30 years. The demand for CPC's highly specialized equipment is worldwide.

CPC delivered all equipment and components according to schedule, and the substation is currently operating at peak efficiency. "There were more than the normal amount of engineering changes in the beginning of the project, but CPC's team of project engineers, project managers and designers were able to respond quickly to the needs of Cleveland Electric Illuminating," said Woody MacCord, Vice President of CPC. According to MacCord, "Cleveland Electric Illuminating was very pleased with all aspects of our performance."

** Controlled Power Corporation is a subsidiary of Chempower, Inc.*

*** Cleveland Electric Illuminating was acquired by Ohio Edison in 1997*

PROJECT

On-site hazardous waste minimization and oil recovery

CLIENT

Marathon Ashland Petroleum L.L.C., Garyville, Louisiana

As part of Marathon Ashland Petroleum's continuing commitment to environmental safety, American Eco's Separation and Recovery Systems, Inc. (SRS) has been operating successfully at Marathon Ashland Petroleum's Garyville, Louisiana facility since 1991. The proprietary SAREX waste recovery system, installed on-site and operated by SRS personnel, has played a significant role in Marathon Ashland Petroleum's efforts to minimize and reduce hazardous wastes.

SRS' SAREX process is an integrated, three-phase, oily waste processing treatment system that combines centrifugal technology for sludge dewatering and oil recovery, with high and low temperature thermal desorption for contaminant separation and recovery. The SAREX process is currently utilized by hydrocarbon processing clients throughout the world, including those located in France, South Africa, Venezuela, Saudi Arabia, Singapore and Taiwan.

"It is estimated that the SRS SAREX installation has assisted Marathon Ashland Petroleum in eliminating more than 65% of the facility's hazardous waste since 1991"

As a direct result of Marathon Ashland Petroleum's hazardous waste reduction program, which has proven highly effective in converting waste streams into non-hazardous waste, its Garyville facility was delisted as a hazardous waste site by both the U.S. Environmental Protection Agency and the Louisiana Department of Environmental Quality. It is only the second refinery in the United States and the first in Louisiana to achieve this feat. Marathon Ashland Petroleum also won an EPA Environmental Excellence Award for reducing wastes, and won the 1997 Governor's Award for Outstanding Achievement in Pollution Prevention.

It is estimated that the SRS SAREX installation has assisted Marathon Ashland Petroleum in eliminating more than 65% of the facility's hazardous waste since 1991 and saving more than $3.5 million per year in disposal costs.

"Our success at Marathon Ashland Petroleum is helping SRS' SAREX system to gain recognition as a highly effective process for recovering wastes and eliminating hazardous waste streams," said Joseph DeFranco, President of SRS. As a result of this success, Marathon Ashland Petroleum and other companies are asking SRS to bid on new contracts at other sites. ■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American Eco Corporation

MAIN OFFICE LOCATIONS

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American Eco Corporation

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(412) 225-2700

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Dallas, TX 75240
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Separation and Recovery Systems, Inc.
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United Eco Systems, Inc.
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Apex, NC 27502
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United Eco Systems, Inc.
1861 Pratt Drive
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(540) 231-9393

American Eco Corporation

EXECUTIVE MANAGEMENT

Michael E. McGinnis
Chairman, President and Chief Executive Officer

Mr. McGinnis has been the chief executive officer of the Company since 1993, a director since 1994 and chairman since May 1997. He was the president and chief executive officer of Eco Environmental, Inc., when it was acquired by the Company in 1993. Prior to joining Eco Environmental, Inc. in 1992, Mr. McGinnis was employed by The Brand Companies, Inc. Mr. McGinnis joined The Brand Companies, Inc. in 1965 and served in various operational and administrative capacities for over 27 years rising to the position of executive vice president. Mr. McGinnis has been a director of EIF Holdings, Inc. since February of 1996, having served as chairman of the board from June 1996 to October 1997 and as president of EIF Holdings, Inc. from March 1996 to August 1996.

David L. Norris
Senior Vice President and Chief Financial Officer

Mr. Norris is the former president, chief executive officer and director of EIF Holdings, Inc., Citadel Environmental Group, Inc., WNH Investments, L.L.C. of California and North American Recycling Systems, Inc. of New York. Prior to Mr. Norris' experience in the environmental and service industries, he served for over 20 years as an executive officer of Evergreen Bancorp, rising to the position of executive vice president of corporate banking. He is a graduate of the Stonier Graduate School of Banking at Rutgers University and the State University of New York.

Bruce D. Tobecksen
Vice President and Treasurer

Mr. Tobecksen served as vice president of finance for Waste Management, Inc., a $9.0 billion publicly traded company, from 1993 through January 1998. Prior to that, Mr. Tobecksen served for five years as the chief financial officer for Chemical Waste Management, Inc., a wholly owned subsidiary of Waste Management, Inc. During his tenure with Waste Management, Mr. Tobecksen was responsible for cash management and the administration of the company's $7.0 billion aggregate credit facilities. He earned his M.S. degree in Finance from the University of Kansas and received his CPA certification while employed by Arthur Anderson in Chicago.

American Eco Corporation

OUTSIDE DIRECTORS

John C. Pennie
Vice Chairman of the Board

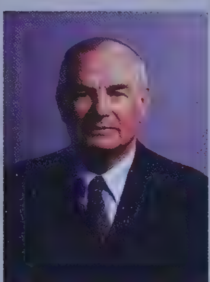
Mr Pennie has been a director of the Company since February 1992 and vice chairman of the board since October 1993. Mr. Pennie served as the Company's president and chief executive officer in 1992. Prior to joining the Company, Mr. Pennie was a business consultant for over 25 years. Mr. Pennie is also the chairman and chief executive officer of Unistar Corporation, a Canadian company and the founder and president of Windrush Corporation.

Barry Cracower
Director

Mr. Cracower has been a director of the Company since December 1996. Mr. Cracower has been the president of Pharmx Rexall Drug Stores Ltd. since 1990. Prior thereto, he held a senior executive position with several major Canadian corporations. Mr. Cracower served on the board of directors of the predecessor corporation to the Company, ECO Corporation in 1992. He is also a director of Algonquin Mercantile Corporation, a Canadian company.

William A. Dimma
Director

Mr. Dimma has been a director of the Company since January 1997. Mr. Dimma has served as the chairman of the board of Business Media Ltd., since 1992 and York University since 1991. For more than five years, Mr. Dimma served as the deputy chairman and also as the president and chief executive officer of Royal LePage Limited, a Canadian company. In addition to the companies mentioned above, Mr. Dimma is chairman of Swiss Reinsurance Company Canada and a director of the Greater Toronto Airport Authority, Magellan Aerospace Corporation, IPL Energy Inc., London Life Insurance Company, Sears Canada Inc. and Trilon Financial Corporation.



Hon. Donald R. Getty
Director

Mr. Getty has been a director of the Company since January 1997. Mr. Getty has been the president and chief executive officer of Sunnybank Investments Ltd., an investment and consulting company located in Edmonton, Alberta, since December 1992. Mr. Getty has held elected and appointive offices in Canadian government, most recently as the Premier of the Province of Alberta from 1985 to 1992 and as the Minister of Energy and Natural Resources for the federal government of Canada between 1971 and 1979. Mr. Getty currently serves as a director to Mera Petroleum, Cen Pro Technologies, Farm Energy Corporation, and Guyanor Resources, all located in Canada.

Francis J. Sorg, Jr.
Director

Mr. Sorg has been a director of the Company since October 1996. For 27 years, Mr. Sorg was chairman of Separation and Recovery Systems, Inc., a subsidiary of American Eco Corporation. He has provided distinguished service as executive committee chairman of Havana Litho, which pre-Castro, was the largest printing operation in Cuba. He has also served as chairman of Thos de la Rue, Inc., the U.S. subsidiary of London-based De La Rue Ltd.; chairman of Newsrad, Inc.; chairman of Wulfert Co.; senior vice president of Bowne & Co., the world's largest financial printer; and he was founder and former president of North Shore University Hospital.

Management's Responsibility for Financial Statements

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this annual report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles in Canada. Management also has included in the Company's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent accountants audit the Company's consolidated financial statements in accordance with generally accepted auditing standards and provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Review Committee composed of three non-management Directors. The Committee meets periodically with financial management and the independent accountants to review accounting, control, auditing and financial reporting matters.

B Cracower

John C. Pennie	Barry Cracower
Director	Director

March 4, 1998

Contents to consolidated financial statements

CONSOLIDATED BALANCE SHEET

As of November 30, 1997 and 1996
(United States Dollars in thousands)

	1997	1996
ASSETS		
Current Assets		
Cash	$ 1,259	$ 317
Accounts receivable, trade, less allowance for doubtful accounts of $2,078 in 1997 and $346 in 1996, respectively	50,349	21,098
Current portion of notes receivable	17,757	6,695
Costs and estimated earnings in excess of billings	13,145	3,446
Inventory	18,079	14,846
Deferred income tax	1,133	1,393
Prepaid expenses and other current assets	6,920	4,499
Total Current Assets	**108,642**	**52,294**
Property, Plant and Equipment, net	**33,023**	**25,199**
Other Assets		
Goodwill, net of accumulated amortization of $1,592 in 1997 and $762 in 1996, respectively	30,484	18,969
Notes receivable	28,578	280
Investments	9,142	7,645
Other Assets	1,917	97
Total Other Assets	**70,121**	**26,991**
Total Assets	**$ 211,786**	**$ 104,484**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As of November 30, 1997 and 1996
(United States Dollars in thousands)

	1997	1996
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 28,400	$ 18,822
Notes payable	8,904	20,399
Current portion of long-term debt	8,081	1,708
Billings in excess of costs and estimated earnings	3,350	419
Total Current Liabilities	**48,735**	**41,348**
Long-Term Liabilities		
Long-term debt	51,722	6,720
Deferred income tax liability	3,144	1,373
Other liabilities	1,086	--
Total Long-Term Liabilities	**55,952**	**8,093**
Total Liabilities	**104,687**	**49,441**
Commitments and Contingencies		
Shareholders' Equity		
Share capital	75,577	39,411
Share capital subscribed	--	34
Contributed surplus	2,845	2,845
Cumulative foreign exchange	(1,511)	--
Retained earnings	30,188	12,753
Total Shareholders' Equity	**107,099**	**55,043**
Total Liabilities and Shareholders' Equity	**$ 211,786**	**$ 104,484**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the Three Years Ended November 30, 1997
(United States Dollars in thousands)

	1997	1996	1995
Revenue	$ 220,478	$ 119,529	$ 46,684
Costs and Expenses			
Direct costs of revenue	162,882	87,203	39,456
Selling, general and administrative expenses	31,243	20,616	2,814
Interest expense, net	4,946	1,747	713
Depreciation and amortization	5,382	2,232	1,107
Gain on sale of assets and subsidiaries	(2,682)	(2)	(370)
Foreign exchange income	(557)	(221)	(96)
	201,214	111,575	43,624
Income Before Provision for (Recovery of) Income Taxes	**19,264**	**7,954**	**3,060**
Provision for (Recovery of) Income Taxes	**1,829**	**(809)**	**208**
Net Income	**$ 17,435**	**$ 8,763**	**$ 2,852**
Earnings per common share			
Basic	$ 1.08	$ 0.81	$ 0.40
Adjusted basic	$ 1.03	$ 0.78	$ 0.38
Fully diluted	$ 0.90	$ 0.74	$ 0.36
Weighted average number of shares used in computing earnings per common share:			
Basic	16,218,034	10,846,516	7,217,005
Adjusted basic	17,667,960	11,435,636	8,174,509
Fully diluted	21,809,562	12,325,043	8,995,005

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the Three Years Ended November 30, 1997
(United States Dollars in Thousands)

	Share Capital		Share Capital Subscribed	Contributed Surplus	Cumulative Foreign Currency	Retained Earnings	Total Shareholders' Equity
	Shares	Amount					
Balance, November 30, 1994	6,822,341	$ 6,511	$ 805	$ 2,845	$ --	$ 1,138	$ 11,299
Conversion of debentures	1,147,250	3,454					3,454
Issued for acquisitions	681,381	2,513					2,513
Issued for cash	78,500	145					145
Issued for services	130,000	460					460
Share issue cost		(1,280)					(1,280)
Subscriptions collected			(707)				(707)
Net income						2,852	2,852
Balance, November 30, 1995	8,859,472	11,803	98	2,845	--	3,990	18,736
Conversion of debentures	198,820	1,284					1,284
Issued for acquisitions	4,283,204	27,269					27,269
Issued for cash	594,940	1,743					1,743
Issued for services	281,000	1,753					1,753
Share issue cost		(4,441)					(4,441)
Subscriptions collected			(64)				(64)
Net income						8,763	8,763
Balance, November 30, 1996	14,217,436	39,411	34	2,845	--	12,753	55,043
Conversion of debentures	3,126,366	21,150					21,150
Issued for acquisitions	1,010,913	8,570					8,570
Issued for notes	811,260	7,784					7,784
Issued for cash	376,575	1,613					1,613
Issued for services	66,530	578					578
Share issue cost		(3,563)					(3,563)
Cumulative foreign exchange					(1,511)		(1,511)
Subscriptions collected	20,000	34	(34)				--
Net income						17,435	17,435
Balance, November 30, 1997	19,629,080	$ 75,577	$ --	$ 2,845	$ (1,511)	$ 30,188	$ 107,099

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Three Years Ended November 30, 1997
(United States Dollars in Thousands)

	1997	1996	1995
Cash Flows from Operating Activities:			
Net income	$ 17,435	$ 8,763	$ 2,852
Adjustments to reconcile net income to net cash used in operating activities:			
Gain on sale of assets and subsidiaries	(2,682)	(2)	(370)
Depreciation and amortization	5,382	2,232	1,107
Change in deferred income taxes	1,829	490	(64)
Noncash income, net	325	--	--
Change in certificate of deposit, restricted	--	(8)	(6)
Change in accounts receivable	(15,932)	(1,823)	(1,356)
Change in notes receivable	(14,000)	--	--
Change in costs and estimated earnings in excess of billings	(7,824)	(363)	(1,059)
Change in inventory	106	(2,511)	189
Change in prepaid expenses	1,424	(748)	256
Change in accounts payable and accrued liabilities	(4,523)	(2,312)	981
Change in billings in excess of costs and estimated earnings	(458)	34	75
Net cash provided by (used in) operating activities	(18,918)	3,752	2,605
Cash Flows from Investing Activities:			
Capital expenditures	(3,134)	(4,803)	(386)
Proceeds from sale of equipment	3,448	53	--
Acquisition of business, net of cash acquired	(10,493)	(568)	(805)
Proceeds from notes receivable	996	3,257	288
Disbursements for notes receivables	(2,094)	(8,350)	(625)
Increase in investment	(1,277)	(6,156)	(727)
Net cash used in investing activities	(12,554)	(16,567)	(2,255)
Cash Flows from Financing Activities:			
Proceeds from notes payable	33,500	14,920	800
Proceeds from long-term debt	58,500	428	--
Principal payments on notes payable	(53,196)	(7,412)	(739)
Principal payments on long-term debt	(7,607)	(1,015)	(464)
Proceeds from sales/leaseback	4,000	--	--
Deferred foreign exchange	--	--	(27)
Debt issuance costs	(1,917)	--	--
Debenture issuance costs	--	(193)	--
Stock issuance costs	(2,479)	--	(125)
Issuance of common stock	1,613	5,506	229
Net cash provided by (used in) financing activities	32,414	12,234	(326)
Net Increase (Decrease) in Cash	**942**	**(581)**	**24**
Cash at Beginning of Year	**317**	**898**	**874**
Cash at End of Year	**$ 1,259**	**$ 317**	**$ 898**

The accompanying notes are an integral part of these consolidated financial statements.

(United States Dollars in thousands)

American Eco Corporation and its wholly-owned subsidiaries ("the Company" or "AEC") provide industrial services, environmental services and specialty manufacturing to the petrochemical, refining, forest products and offshore fabrication industries.

1. Basis of Presentation and Summary of Significant Accounting Policies

The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The differences between Canadian and United States GAAP are described in Note 15.

The accompanying consolidated financial statements include the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Revenue Recognition - The Company recognizes revenues and profits on fixed price contracts using the percentage-of-completion method. Under the percentage-of-completion method, contract revenues are accrued based upon the percentage that accrued costs to date bear to total estimated costs. As contracts can extend over more than one accounting period, revisions in estimated total costs and profits during the course of work are reflected during the period in which the facts requiring the revisions become known. Losses on contracts are charged to income in the period in which such losses are first determined.

Inventory - Inventory is valued on the lower of cost or market method, with cost determined on the first-in, first-out method.

Property, Plant and Equipment - Property and equipment are stated at cost. Depreciation and amortization are provided over the estimated useful lives of the respective assets using the straight-line method over the following periods based on their estimated useful lives:

Buildings	20-40 years
Fabrication machinery, mobile and other equipment	3-15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to earnings as incurred. When property and equipment are retired or otherwise disposed of, the cost thereof and the applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in earnings.

Goodwill - The cost in excess of the fair value of the net assets of businesses acquired at their respective acquisition dates are amortized on a straight-line basis over 40 years. On an annual basis, the Company assesses the carrying value in order to determine whether an impairment has occurred, taking into account both historical and forecasted results of operations.

Income Taxes - The Company reflects income taxes based on the tax allocation method. Under this method, timing differences between reported and taxable income result in provisions for taxes not currently payable. Such timing differences arise principally as a result of claiming depreciation and amortization for tax purposes at amounts differing from those charged to income.

Other Assets - Included in other assets is approximately $1.5 million of debt issuance costs which are being amortized over the term of the debt.

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Earnings Per Share - Basic earnings per share has been calculated on the basis of net earnings for the year divided by the weighted average number of common shares outstanding during the period. Adjusted basic earnings per share has been calculated assuming the actual debt conversions occurring during the year had taken place at the beginning of the year, or at the date of issuance if issued during the year. Fully diluted earnings per share additionally assumes all options and warrants have been exercised at the later of the beginning of the fiscal period or the option issue date.

Supplemental Disclosures of Cash Flow Information

	1997	1996	1995
Cash paid during the years for:			
Interest	$ 4,718	$ 1,614	$ 713
Income taxes	$ 281	$ --	$ 66

Translation of Financial Statements into United States Dollars - The consolidated financial statements are expressed in United States dollars using foreign currency translation procedures established by the Canadian Institute of Chartered Accountants.

For self-sustaining operations, the assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the balance sheet date. The resulting gains and losses are accumulated in a separate component of shareholders' equity. Revenues and expenses are translated at average exchange rates prevailing during the period. For integrated purposes current assets, current liabilities and long-term debt are translated into United States dollars using year end rates of exchange; all other assets and liabilities are translated at applicable historical rates of exchange. Revenues, expenses and certain costs are translated at annual average exchange rates except for inventory, depreciation and amortization which are translated at historical rates. Realized exchange gains and losses and currency translation adjustments relative to long-term monetary items with a fixed and ascertainable life are deferred and amortized on a straight-line basis over the life of the item.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain amounts from prior years have been reclassified to conform to the current year's presentation.

2. Business Combinations

1997

Effective February 28, 1997, the Company acquired all of the outstanding common stock of Chempower, Inc. ("Chempower"). All of the stockholders of Chempower, other than two principal stockholders (the "Principal Stockholders") received $6.20 in cash for each of their Chempower shares. The Principal Stockholders received a portion of their consideration in cash and the balance was represented by a $15.9 million promissory note paid in August 1997. Based upon a total of approximately 7.6 million Chempower shares outstanding, the total acquisition cost was approximately $50 million, including acquisition costs of approximately $3 million. The acquisition was partially funded by a placement by the Company of $15 million, 9.5%, 10 year Convertible Debentures. Concurrent with the Chempower acquisition, the Company entered into installment purchase agreements with Holiday Properties, a general partnership owned by the Principal Stockholders. These agreements provide for the

2. Business Combinations (continued)

acquisition of three parcels of real property which had been leased to Chempower. The aggregate purchase price for the three properties amounted to $4.5 million, of which $.5 million was paid on February 28, 1997. The purchase price and expenses associated with the acquisition exceed the fair value of net assets acquired by approximately $12 million.

Effective September 1, 1997, the Company acquired all of the outstanding common stock of CCG Commercial Construction Group, Inc. in exchange for 265,000 shares of Company common stock with a fair market value of approximately $2.6 million. The aggregate purchase price and expenses associated with the acquisition exceed the fair value of net assets acquired by approximately $3 million.

1996

Effective January 1, 1996, the Company acquired all of the outstanding common stock of Environmental Evolutions, Inc. in exchange for 400,000 shares of Company common stock with a fair market value of $2.4 million. The purchase price and expenses associated with the acquisition exceeded the fair value of net assets by approximately $3.3 million and has been included in goodwill. Pro forma results were not material to the Company's financial position or results of operations. See Note 3 to Consolidated Financial Statements.

Effective May 31, 1996, the Company acquired substantially all the assets and assumed certain liabilities of United Eco Systems, Inc. ("United Eco"). The purchase price consisted of 315,000 shares of Company common stock with a fair market value of $2.5 million. The purchase price and expenses associated with the acquisition exceeded the fair market value of net assets acquired by approximately $2.8 million and has been included in goodwill. Pro forma results were not material to the Company's financial position or results of operations.

Effective July 1, 1996, the Company acquired all of the outstanding common stock of Separation and Recovery Systems, Inc. ("SRS"). The purchase price consisted primarily of 753,634 shares of the Company common stock with a fair market value of $5.7 million, which approximated the book value of SRS.

Effective July 22, 1996, the Company acquired all of the outstanding common stock of Industra Service Corporation ("Industra"). AEC exchanged 0.425 common shares for each common share of Industra, or 1,647,459 shares of AEC common shares. The purchase price and expenses associated with the acquisition exceeded the fair value of net assets of the business acquired by approximately $5.6 million.

All acquisitions have been accounted for using the purchase method; accordingly, the assets and liabilities have been recorded at their estimated fair values at the date of acquisition. The excess purchase price and related expenses over the fair value of net assets acquired is included in Goodwill. Under the purchase method of accounting, the results of operations are included in the consolidated financial statements from their acquisition dates.

The unaudited pro forma results, assuming the CCG, Chempower, SRS and Industra acquisitions had occurred at December 1, 1995, are as follows:

	1997	1996
Revenues	$ 245,898	$ 252,928
Net income	$ 12,348	$ 9,997
Basic earnings per share	$ 0.74	$ 0.80

The unaudited pro forma summary is not necessarily indicative either of results of operations that would have occurred had the acquisitions been made at the beginning of the periods presented, or of future results of operations of the combined companies.

2. Business Combinations (continued)

1995

In July, 1995, the Company acquired all of the outstanding capital stock of Lake Charles Construction Corporation in exchange for issuance of 520,000 shares of the Company's common stock valued at $2 million. The purchase price and expenses associated with the acquisition exceeded the fair value of net assets acquired by approximately $4.6 million.

A summary of total assets, total liabilities and goodwill from the above business combinations are as follows:

	Consideration	Assets	Liabilities	Net Book Value	Goodwill
1997					
Chempower	$ 50,000	$ 55,543	$ 15,543	$ 40,000	$ 10,000
CCG	2,600	5,103	5,503	(400)	3,000
1996					
Environmental Evolutions	2,400	370	1,270	(900)	3,300
United Eco	2,500	5,489	5,789	(300)	2,800
SRS	5,700	11,907	6,207	5,700	--
Industra	16,300	27,816	17,116	10,700	5,600

3. Disposal of Eco Environmental and Environmental Evolutions

On August 31, 1997, the Company sold its wholly owned subsidiaries, Eco Environmental, Inc. and Environmental Evolutions, Inc., to Eurostar Interests, Ltd. ("Eurostar"), a company controlled by the Vice-Chairman of AEC, in exchange for a note in the amount of $11 million. This note bears interest at the rate of 10% and is due on August 31, 1998. The note is collateralized by all of the common stock of Eurostar and is also supported by a performance bond in the amount of $3 million. As a result of this transaction, the Company recorded a gain of approximately $2.5 million.

4. Notes Receivable

	1997	1996
EIF Holdings, Inc., due August, 1998, maximum borrowings of $20 million, interest at prime plus 2%, uncollateralized. See Note 5 to Consolidated Financial Statements	$ 17,876	$ 4,908
George E. Phillips Holdings, Ltd., $2.8 million due January 1998, quarterly payments of $446,166 from February 1998 through August 2002, with final payment due in November 2002, interest at 10%, collateralized by 50% of the issued and outstanding shares of common stock of Mid Atlantic Recycling Technologies, Inc. ("MART"). See Note 21 to Consolidated Financial Statements.	14,000	--
Eurostar, due August 1998, interest at 10%, collateralized by 100% of the issued and outstanding shares of common stock of Eurostar and a performance bond for $3 million.	11,000	--
Receivables from joint ventures. See Note 6 to Consolidated Financial Statements.	1,500	--
Notes receivable from officers and directors.	1,468	840
Mid Atlantic Recycling Technologies, Inc., monthly payments of $5,175, interest at 12.5%, collateralized by equipment.	219	--
Kam Biotechnology International, LLC, due December 1998, interest at 6% uncollateralized.	200	200
Impala Development, Ltd., interest at 12%, collateralized by 144,500 shares of AEC common stock	--	775
Miscellaneous notes receivable	72	252
	46,335	6,975
Current portion	17,757	6,695
Long-term portion	$ 28,578	$ 280

5. EIF Holdings, Inc.

During June 1996, the Company purchased 4,600,000 shares of EIF Holdings, Inc. ("EIFH") common stock for $2.8 million. On November 7, 1996, the Company acquired an additional 200,000 shares of EIFH common stock through the issuance of 25,000 shares of its common stock, and on November 20, 1996, the Company purchased 4,000,000 shares of EIFH in exchange for $70 thousand and 300,000 shares of the Company's common stock. At November 30, 1997, the Company's total investment in EIFH was approximately $5.2 million and represents 36% of EIFH's total common stock. Additionally, during 1996 the Company entered into a Stock Purchase Agreement with EIFH whereby the Company has an option to purchase 10,000,000 shares of EIFH for $1 million. This option is subject to EIFH stockholders increasing the authorized number of common shares. The Company has accounted for its investment in EIFH pursuant to the equity method of accounting commencing January 1, 1997.

In February 1996, the Company agreed to loan money to EIFH pursuant to a line of credit agreement with a maximum borrowing of $5.2 million. This line of credit was not collateralized and was due on July 31, 1997. Effective July 31, 1997, the line of credit was renewed, extended and modified to increase the maximum borrowing amount to $15 million and extend the maturity to February 18, 1998. On September 30, 1997, the Company increased the maximum borrowing amount to $20 million. This renewal included an option for the Company to convert the entire indebtedness into common shares of EIFH at 85% of the average market price of the previous five days, subject to approval of an increase in the number of authorized shares by EIFH's stockholders. On February 18, 1998, the Company extended the maturity date of the line of credit to August 18, 1998. As of November 30, 1997, the total receivable from EIFH is $17.9 million, which includes accrued interest of $1.04 million. The Company received interest income of $0.8 million related to the loan outstanding during 1997.

On December 22, 1997, the Company granted an option to Frank Fradella, Chief Executive Officer of EIFH, to purchase the Company's 8,800,000 shares of EIFH for a price of $0.65 per share. Additionally, the Company granted Frank Fradella a proxy to vote the Company's shares of EIFH.

On November 19, 1997, EIFH completed its acquisition of JL Manta, Inc. ("Manta"), an Illinois corporation which provides specialized maintenance services for clients in the industrial, environmental and low-level nuclear sectors. Pursuant to the terms of a Stock Purchase Agreement, EIFH acquired all of the issued and outstanding common stock of Manta for consideration of $4.7 million in cash and $2.2 million in convertible promissory notes of EIFH, payable in installments with a final payment due on November 18, 2000 (the "Stockholder Notes"). Subject to the approval by EIFH stockholders of an amendment to EIFH's charter authorizing the requisite amount of stock, at any time after June 30, 1998 the holders of the Stockholder Notes may convert any principal payment due under the Stockholder Notes into shares of EIFH's common stock at a conversion price equal to the closing transaction price of EIFH Stock on the date a conversion notice is received by EIFH. Also concurrently with the acquisition, in connection with financing provided to EIFH, EIFH issued a $6.5 million Convertible Promissory Note. The Note bears interest at the rate of 5 1/4% per annum, becomes due on May 18, 1999 and is collateralized by a pledge of all of the Manta Stock. Subject to approval of EIFH's Stockholders of an amendment to EIFH's charter authorizing the requisite amount of preferred and common stock at a conversion price of $1.00 per share, with such Preferred Convertible Stock convertible into EIFH common stock.

Also in connection with the Acquisition, EIFH issued a $2.5 million Promissory Note. The note bears interest at the rate of 9% per annum and becomes due on February 16, 1998. The loan amount represented by the note was used by EIFH to refinance certain indebtedness of Manta.

The Company's investment in EIFH exceeds the net assets of EIFH by approximately $15 million. Such amounts are being amortized over 40 years. As of November 30, 1997, the quoted market value of the Company's 8.8 million shares of EIFH is approximately $4.1 million.

Summarized financial information for EIFH as of September 30, 1997 and for the nine months then ended is as follows:

Current assets	$ 13,806
Noncurrent assets	870
Current liabilities (including note payable to the Company)	25,017
Stockholders' deficit	(10,341)
Revenues	10,858
Operating loss	(1,344)
Net loss	(100)

6. Investment in Joint Ventures

The Company, through its wholly owned subsidiary SRS, participates in four joint ventures with equity interests ranging from 33% to 50%. Each of these joint ventures is involved in operating SRS' waste treatment equipment.

At November 30, 1997, the Company's total investment in these joint ventures is approximately $3.7 million and the Company has receivables from the joint ventures of approximately $1.5 million. During 1997, the Company sold and leased certain equipment to the joint ventures in the amount of approximately $5 million. The Company has deferred profit on these transactions to the extent of its ownership interest in the amount of approximately $1.6 million. The results of operations and financial position of these joint ventures are not material to the Company's financial position and results of operations as of November 30, 1997.

7. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	1997	1996
Land	$ 5,570	$ 1,965
Buildings	14,140	7,345
Fabrication machinery, mobile and other equipment	18,678	20,901
Furniture and fixtures	1,978	1,645
Equipment under capital leases	1,040	626
Leasehold improvements	1,389	908
	42,795	33,390
Accumulated depreciation and amortization	9,772	8,191
	$ 33,023	$ 25,199

Depreciation expense for the years ended November 30, 1997, 1996 and 1995 was $4,467, $1,695 and $986, respectively.

8. Inventory

The components of inventory are as follows:

	1997	1996
Raw materials	$ 6,358	$ 3,897
Consumable supplies	3,345	2,103
Finished goods	8,376	8,846
	$ 18,079	$ 14,846

9. Long-Term Debt Including Capital Leases

	1997	1996
Note payable to Union Bank of California, payable $2,386,364 per quarter beginning April 1998, interest at LIBOR plus 3.25%, collateralized by the stock of AEC's subsidiaries, their guarantees and substantially all assets of AEC.	$ 52,500	$ --
Note payable to Deere Park Capital Management, payable interest only until June 1998 then monthly payments of $83,333 plus interest until final payment in May 2000, interest at 10%, uncollateralized	5,000	
Note payable to Semamor Enterprises, L.P., payable interest only until June 1998 then monthly payments of $16,667 plus interest until final payment in May 2000, interest at 10%, uncollateralized	1,000	--
Note payable to Bank of America, payable $83,000 per month beginning January 1997, plus interest at bank's reference rate plus 0.75%, collateralized by receivables, inventory, machinery and equipment of SRS	--	3,000
Note payable to Hongkong Bank of Canada, payable $23,000 per month, including interest at 9.00%, collateralized by real estate of Industra.	--	2,062
Note payable to The C.A. Turner Construction Company, Texas payable $92,000 quarterly including interest at 8.00%, collateralized by substantially all of the fixed assets of C.A. Turner Construction, Inc. and Action Contract Services, Inc., two subsidiaries of the Company, maturing December 2000.	--	1,240
Notes payable, other	1,303	2,126
	59,803	8,428
Current portion	8,081	1,708
Long-term portion	$ 51,722	$ 6,720

The aggregate principal payments on long-term debt during the years subsequent to November 30, 1997 are: 1998 -$8,081; 1999 - $11,381; 2000 - $13,914; 2001 - $9,686; 2002 - $9,582; thereafter $7,159.

9. Long-Term Debt Including Capital Leases (continued)

At November 30, 1997, there is approximately $8,904 of notes payable outstanding. Included in this amount is a payable to Union Bank of California under a revolving credit facility in the amount of $8,500. The maximum borrowings under the credit facility is $12,000, bears interest at either the prime rate plus 2% or LIBOR plus 3% and is collateralized by substantially all of the assets of the Company. This revolving credit facility expires on August 31, 2002. Additionally, the Company has a balance of $397 under a revolving credit facility with Comerica. The maximum borrowings under this facility are $500 and it is collateralized by the assets of CCG.

Under the Union Bank of California credit facility, the Company is required to maintain certain financial ratios and is restricted by covenants from certain corporate actions including a prohibition on the Company paying dividends.

At November 30, 1996, the Company had borrowings under various credit facilities, all of which were repaid in connection with the borrowings from Union Bank of California in 1997.

10. Lease Agreements

The Company leases equipment and office and warehouse space under operating leases that expire at various times through September 2002. Future minimum payments, by year and in the aggregate, under these operating leases, consisted of the following at November 30:

1998	$ 2,662
1999	2,210
2000	1,751
2001	1,464
2002	629
Total minimum lease payment	$ 8,716

Rent expense for the years ended November 30, 1997, 1996 and 1995 amounted to $634, $538 and $181, respectively.

In May, 1997, the Company entered into a sales/leaseback transaction with a third party for machinery and equipment. In conjunction with this transaction, the Company recorded a deferred gain of $1.2 million, which is being amortized over the sixty month life of the lease.

11. Costs and Estimated Earnings on Jobs in Progress

	1997	1996
Costs, estimated earnings and billings are summarized as follows:		
Costs incurred on uncompleted jobs	$ 186,518	$ 66,476
Estimated earnings	28,432	8,417
	214,950	74,893
Billings to date	205,155	71,866
	$ 9,795	$ 3,027
Included in the accompanying balance sheet under the following captions:		
Costs and estimated earnings in excess of billings	$ 13,145	$ 3,446
Billings in excess of costs and estimated earnings	(3,350)	(419)
	$ 9,795	$ 3,027

12. Related Party Transactions

For the years ended November 30, 1997, 1996 and 1995, the Company had business transactions with related parties. The details of these transactions and balances owing from and to these parties are as follows:

During the year ended November 30, 1997, fees aggregating $522 were paid to a director in his capacity as an officer of the Company. Of this amount $20 is included in share issue costs, as a reduction to common stock, and $502 is included in administrative expenses. Additionally, another director was paid $113 for services rendered during the year, which is included in deferred financing costs.

During the year ended November 30, 1996, fees aggregating $120 were paid to a director, in his capacity as an officer of the Company. Of this amount, $80 is included in deferred financing costs, $30 is included in share issue costs, as a reduction to common stock, and $10 is included in administrative expenses. Additionally, another director was paid $109 for services rendered during the year, of which $27 is included in deferred financing costs, $18 is included in share issue costs, as a reduction to common stock, and $64 is included in administrative expenses.

During the year ended November 30, 1995, fees aggregating $84 were paid to a director, in his capacity as an officer of the Company. Of this amount, $75 is included in share issue costs, as a reduction to common stock, and $9 is included in administrative expenses. Additionally, another director was paid $140 for services rendered during the year, of which $110 is included in deferred bid costs and $30 is included in deferred financing costs.

13. Income Taxes

Canada

Income tax expense varies from the amount that would be computed by applying the basic combined Canadian federal and provincial rate of 44.34%, as follows:

	1997	1996	1995
Basic rate applied to pre-tax income	$ 8,542	$ 3,526	$ 419
Reduction due to income taxed in other jurisdictions	(5,316)	(2,603)	--
Other	(247)	(137)	(315)
Reduction of income taxes due to application of loss carry forwards	(2,507)	(786)	(104)
Effective Canadian tax expense	$ 472	$ --	$ --

United States

The components of the provision for (recovery of) income taxes are as follows:

	1997	1996	1995
Federal	$ 4,076	$ (865)	$ 16
State	360	50	128
Reduction of income taxes due to application of loss carryforwards	(1,701)	--	--
Benefits from previously unrecorded tax items	(1,529)	--	--
Other	151	6	64
Effective US tax expense (benefit)	$ 1,357	$ (809)	$ 208

	1997	1996	1995
Total tax expense (benefit) consisting of:			
Current	--	$ (815)	$ 144
Deferred	1,829	6	64
	$ 1,829	$ (809)	$ 208

Deferred income taxes result from timing differences between the recording of income for accounting purposes and for income tax purposes and from the estimated future tax benefit from operating losses when, in the opinion of management, realization of such benefits is not virtually certain.

14. Share Capital

Authorized Share Capital
The authorized share capital consists of unlimited Class A Preference shares and unlimited, no par value common shares.

Share Warrants
As of November 30, 1997, the Company had 3.6 million outstanding share warrants, which call for the issuance of one common share upon presentation of the warrant at issue prices ranging from $4.00 to $9.56. These warrants expire at various times through September, 2002.

Stock Options
In May 1997 the Stockholders adopted the Company's 1997 Stock Option Plan (the "Plan"). Under the Plan, the Company is authorized to issue 2,956,700 options to purchase shares.

Information with regard to stock options is as follows:

	Shares	Option Price Range
Outstanding, November 30, 1994	43,800	$ 1.75-$2.10
Granted	512,500	$ 1.80-$1.86
Cancelled	--	--
Exercised	(60,600)	$ 1.75-$2.10
Outstanding, November 30, 1995	495,700	$ 1.75-$1.86
Granted	460,313	$ 3.23-$9.76
Cancelled	(66,000)	$ 3.23-$5.69
Exercised	(336,850)	$ 1.79-$6.00
Outstanding, November 30, 1996	553,163	$ 1.76-$9.76
Granted	993,500	$ 6.67-$7.72
Cancelled	(143,888)	$ 1.76-$7.09
Exercised	(261,075)	$ 1.79-$7.72
Outstanding, November 30, 1997	1,141,700	$ 1.79-$9.76
Options current exercisable	391,300	$ 1.79-$9.76

The weighted average fair value of options granted during 1997, 1996 and 1995 were $6.42, $3.04 and $1.01, respectively.

The weighted average exercise price and remaining term as of November 30, 1997 are $6.42 and 4.0 years, respectively.

15. Differences Between Canadian and United States Generally Accepted Accounting Principles and Practices

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian Basis") which differ in certain respects from those principles and practices that the Company would have followed had its consolidated financial statements been prepared in accordance with accounting practices generally accepted in the United States ("U.S. Basis").

During 1997, the Company sold $18 million aggregate principal amount of convertible debentures (the "Debentures"). In connection with these Debentures, the Company issued approximately 1.7 million stock purchase warrants to the holders and as placement fees to third parties. Under Canadian Basis, the total amount allocated to the conversion feature was being charged to interest expense over ten years. All of these Debentures were converted during 1997 and the unamortized amount of $11.8 million was charged to equity. Had the U.S. Basis been followed, the intrinsic value of the conversion feature of approximately $3.5 million would have been charged to interest expense immediately as the Debentures contained a beneficial conversion feature on the date of issuance.

During June, 1996, the Company acquired a 16% interest in EIFH. This interest was accounted for under the cost method of accounting. Commencing on January 1, 1997, the Company began accounting for its investment in EIFH under the equity method as its ownership percentage had increased to 36%. Under Canadian Basis, the change is accounted for prospectively. Under U.S. Basis, the Company would have recorded an adjustment to accrue its proportionate share (16%) of EIFH's losses from the period when the Company first invested in EIFH through the period when they commenced equity method accounting. The total amount of additional losses which the Company would have recorded is approximately $1.5 million. → 3/

Under Canadian Basis, income tax losses available to be carried forward are recognized only when there is virtual certainty that they will be realized. Under U.S. Basis, income tax losses available to be carried forward are recognized when it is more likely than not that they will be realized. For the years ended November 30, 1996 and 1995, there were no significant differences between these two methods.

Under U.S. Basis, utilization of pre-acquisition net operating losses should be credited to goodwill rather than as a reduction in the income tax provision, as is practice under Canadian Basis. Therefore, under U.S. Basis, the goodwill and income tax provision would have been adjusted by approximately $1.0 million.

The following is a reconciliation of net income under Canadian Basis to net income under U.S. Basis:

	Canadian Basis		U.S. Basis
Pre-tax income	$ 19,264	(5,000)	$ 14,264
Tax provision	1,829	1,049	2,878
Net income	$ 17,435		$ 11,386

Sle CAN #
112 <1500>
112 <1049>
US #

45 <3500>
112 <1500>
112 <1049>

Net income

15. Differences Between Canadian and United States Generally Accepted Accounting Principles and Practices (continued)

Under U.S. Basis, primary and fully diluted earnings per share is calculated using the treasury stock method. The calculation of earnings per share under U.S. Basis is as follows:

Net income	$ 11,386
Net income per share - Primary	$ 0.66
Net income per share - Fully diluted	$ 0.65
Weighted average number of shares	
Primary	17,142,519
Fully Diluted	18,784,330

SFAS No. 123 "Accounting for Stock Based Compensation," issued in October 1995, defines a fair value method of accounting for employee stock options. Under this fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the vesting period. SFAS No. 123 allows, and the Company has elected, to continue to measure compensation cost in accordance with APB No. 25 for purposes of the U.S. to Canadian GAAP reconciliation. Accordingly, the Company is providing the disclosures required by SFAS No. 123.

The pro forma net income and basic earnings per share amounts below have been derived using the Black -Scholes stock option pricing model with the following assumptions for each stock option grant during the respective year:

Assumptions	**1997**	**1996**	**1995**
Risk-free interest rates	6.37% - 6.63%	5.60% - 5.75%	5.68% - 5.75%
Expected life of stock options (years)	5	5	5
Expected volatility of common stock	55%	55%	55%
Expected annual dividends of stock options	0	0	0
Net income - as reported	$ 17,435	$ 8,763	$ 2,852
Net income - pro forma	$ 17,191	$ 8,311	$ 2,543
Basic earnings per share - as reported	$ 1.08	$ 0.81	$ 0.40
Basic earnings per share - pro forma	$ 1.06	$ 0.77	$ 0.35

The pro forma effects on net income and income per common share for fiscal 1997, 1996 and 1995 may not be representative of the pro forma effects Statements of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation" may have in future years.

In February, 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share", which is effective for years ending after December 15, 1997. This statement replaces the presentation of primary earnings per share with a presentation of basic earnings per share ("EPS"). Basic EPS excludes the dilution effect of common stock equivalents previously included in primary EPS and is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. The calculation of diluted EPS will not change under SFAS No. 128. The adoption of SFAS 128 by the Company, will not materially change the amounts disclosed as basic EPS.

15. Differences Between Canadian and United States Generally Accepted Accounting Principles and Practices (continued)

In June, 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income", and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which are both effective for years beginning after December 15, 1997. SFAS 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purposes financial statements. It further requires that an enterprise a) classify items of other comprehensive income by their nature in a financial statement and b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. The adoption of SFAS 130 and 131 are for disclosure purposes only.

16. Retirement Plans

The Company has a profit-sharing (defined contribution) retirement plan covering substantially all employees, except employees who are members of a union who bargained separately for retirement benefits. Employees are eligible upon attaining the age of twenty-one (21) and completing one (1) year of service. The amount of contribution to the plan is determined annually by the Board of Directors and may vary from zero to fifteen percent of covered compensation.

The Company, through it's collective bargaining agreements with various unions, contributes to the unions' retirement plans. For the years ended November 30, 1997, 1996 and 1995, an expense of $2.7 million, $1.5 million and $0.6 million, respectively, was incurred for these retirement plans.

17. Convertible Debt

On January 24, 1997, the Company sold $15 million aggregate principal amount of 9.5% Convertible Debentures ("January Debentures") due January 24, 2007, together with 1,125,000 warrants to purchase the Company's common stock at a price of $9.56. In connection with this transaction, the Company issued 300,000 warrants to a placement agent and incurred costs of approximately $1.5 million.

On February 14, 1997, the Company sold $1 million aggregate principal amount of 9.5% Convertible Debentures ("February Debentures") due February 14, 2007, together with 71,429 warrants to purchase the Company's common stock at a price of $9.49. In connection with this transaction, the Company incurred costs of approximately $100 thousand.

On March 3, 1997, the Company sold $3 million aggregate principal amount of 9.5% Convertible Debentures ("March Debentures") due March 3, 2007, together with 225,000 warrants to purchase the Company's common stock at a price of $9.21. In connection with this transaction, the Company incurred costs of approximately $50 thousand.

The total proceeds have been allocated between the warrants issued to the holders, the conversion feature and debt based on discounted cash flows and an effective interest rate of 12%. All of these debentures were converted into common shares during 1997 and the unamortized costs were charged to shareholders' equity upon conversion.

18. Litigation

The Company had been involved in an arbitration with a customer whereby the customer claimed damages from the Company totaling $19.3 million consisting of delay damages and cost of completion. The Company counter claimed $2.4 million for breach of subcontract and $10.0 million for the customer bad faith and intentional misconduct. On June 16, 1997, the arbitrator ruled in favor of the Company and awarded the Company $1.3 million net of costs of $1.1 million. The Company has received such amounts and has included them in its results of operations for 1997.

At November 30, 1997, there were various claims and disputes incidental to the business. The Company believes that the disposition of all such claims and disputes, individually or in the aggregate, should not have a material adverse affect upon the Company's financial position, results of operations or cash flows.

19. Financial Instruments

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and trade accounts receivable. At November 30, 1997 and 1996, the Company had notes receivable balances of $46,335 and $6,975, respectively, with various entities or persons as described in Note 4 to Consolidated Financial Statements. Although some of the notes are collateralized or partially collateralized, the ultimate collectibility is dependent on the financial conditions of the various debtors. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base and their diverse industries and geographic areas. The Company has write offs, net of recoveries of $466 in 1997, $286 in 1996 and $60 in 1995.

Fair Value of Financial Instruments

The carrying amounts of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these items. The carrying amounts of long-term debt approximate fair value because the interest rates on these instruments change with market interest rates.

20. Segments of the Business

The Company operates in Canada and the United States in three primary industry segments: (1) Environmental Remediation Services which involves asbestos removal, insulation and other environmental services; (2) Industrial Support Services which involves the repair, maintenance and modification of boilers, pressure vessels and tubing used in industrial facilities and the provision of engineering services; and (3) Specialty Fabrication Services which involves construction of high-quality custom steel and alloy products. It is the Company's policy to price intersegment contracts on an equivalent basis to that used for pricing external contracts. The following is a summary of selected data for these business segments:

20. Segments of the Business (continued)

	Environmental Remediation Services	Industrial Support Services	Specialty Fabrication Services	Total Consolidated
1997				
Contract income	$ 12,125	$ 147,424	$ 60,929	$ 220,478
Operating income (loss)	(514)	15,104	11,763	26,353
Depreciation and amortization	923	3,336	1,123	5,382
Capital expenditures during the year	312	1,871	1,536	3,719
Identifiable assets	7,375	133,390	71,021	211,786
1996				
Contract income	$ 18,489	$ 94,584	$ 6,456	$ 119,529
Operating income	2,539	2,812	2,603	7,954
Depreciation and amortization	699	1,063	470	2,232
Capital expenditures during the year	516	1,336	6,155	8,007
Identifiable assets	22,988	29,121	19,668	71,777
1995				
Contract income	$ 5,362	$ 41,322	$ --	$ 46,684
Operating income	505	2,555	--	3,060
Depreciation and amortization	214	893	--	1,107
Capital expenditures during the year	54	1,675	--	1,729
Identifiable assets	4,636	17,163	--	21,799

The following table provides information with respect to the geographic segmentation of the Company's business

	Canada	United States	Total Consolidated
1997			
Contract income	$ 50,835	$ 169,643	$ 220,478
Operating income	7,728	18,625	26,353
Depreciation and amortization	1,223	4,159	5,382
Capital expenditures during the year	124	3,595	3,719
Identifiable assets	122,472	89,314	211,786
1996			
Contract income	$ 6,509	$ 113,020	$ 119,529
Operating income	90	7,864	7,954
Depreciation and amortization	166	2,066	2,232
Capital expenditures during the year	6,151	1,856	8,007
Identifiable assets	20,988	50,789	71,777
1995			
Contract income	--	$ 46,684	$ 46,684
Operating income	--	3,060	3,060
Depreciation and amortization	--	1,107	1,107
Capital expenditures during the year	--	1,729	1,729
Identifiable assets	--	21,799	21,799

21. Significant Transactions

In November 1997, the Company sold its 50% ownership in MART to a third party for $14.0 million, payable quarterly over five years with interest at 10% per annum. During fiscal 1997, two of the Company's subsidiaries (SRS & United Eco) sold equipment and provided services to MART. SRS sold to MART equipment for $4.0 million and United Eco provided construction, maintenance and operation services for approximately $6.6 million. MART is a state of the art thermal treatment facility which treats soils, sediments and other materials contaminated with hazardous and non-hazardous chemicals.

The Consolidated Statement of Income includes revenue and direct costs of $24.6 million and $14.4 million, respectively, resulting from these transactions.

22. Subsequent Event - Proposed Acquisition of Dominion Bridge Corporation

On February 20, 1998, the Company and Dominion Bridge Corporation entered into a non-binding Letter of Intent which provides for a) the purchase of $5.0 million of Dominion Bridge common stock by the Company, b) a working capital loan facility of up to $25.0 million to be provided by the Company to Dominion Bridge, c) the engagement of the Company to provide certain management services to Dominion Bridge, and d) the acquisition by the Company of the business and assets of Dominion Bridge.

The purchase of $5.0 million dollars of Dominion Bridge stock was consummated on February 20, 1998.

The proposed consideration for the acquisition is 7 1/2% convertible subordinated notes and the principal amount of $3.00 for each outstanding share of Dominion Bridge stock payable three years after closing and convertible into American Eco common shares at a conversion rate of $15.00 per share. Aggregate value of the acquisition, including debt assumed of $37.5 million would be approximately $135.0 million.

Consummation of the transaction will be subject to approval of the respective boards of directors, shareholders, along with the required regulatory and governmental consents. There is no assurance that the transaction will be consummated.

Independent Auditor's Report

To the Board of Directors and Shareholders of American Eco Corporation:

We have audited the accompanying consolidated balance sheet of American Eco Corporation as of November 30, 1996 and 1995, and the consolidated statements of income, shareholders' equity and changes in financial position for the years then ended, which as described in Note 15, have been prepared on the basis of accounting principles generally accepted in Canada. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States (and in Canada). U.S. standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Eco Corporation as of November 30, 1996 and 1995, and the consolidated results of its operations and its changes in financial position for the years then ended in conformity with generally accepted accounting principles generally accepted in Canada.

Karlins Fuller Arnold & Klodosky, P.C.

Houston, Texas
January 31, 1997

Independent Auditor's Report

To the Board of Directors and Shareholders of American Eco Corporation:

We have audited the accompanying consolidated balance sheet of American Eco Corporation and Subsidiaries as of November 30, 1997, and the related consolidated statements of income, shareholders' equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of American Eco Corporation and Subsidiaries for the years ended November 30, 1996 and 1995, were audited by other auditors, whose report, dated January 31, 1997, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Eco Corporation and Subsidiaries as of November 30, 1997, and the consolidated results of their operations and changes in financial position for the year then ended in conformity with generally accepted accounting principles in Canada.

Coopers & Lybrand L.L.P.

Miami, Florida
March 4, 1998

American Eco Corporation

INFORMATION

Securities Trading
American Eco's common stock is traded on the Toronto Stock Exchange under the symbol ECX and on the NASDAQ under the symbol ECGOF. The company is listed on the Chicago Board Options Exchange as "EOQ".

Transfer Agent and Registrar
Communications regarding stock transfers, lost certificates, or address changes should be directed to:

CBIC Mellon Trust Company
393 University Avenue
Toronto, Ontario, Canada M5G 2M7
(800) 387-0825
(416) 813-4555 Fax

Shareholder Inquiries
Investor Relations
American Eco Corporation
11011 Jones Road
Houston, Texas 77070
(281) 774-7000
(281) 774-7002 Fax
www.americaneco.com

Annual Shareholders Meeting
The Annual Shareholder's Meeting will begin at 4:00 p.m. May 28, 1998 at the Sheraton Centre Toronto, 123 Queen Street W., Toronto, Ontario, Canada M5H 2M9.

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